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STATE FOR EUR/CARC AND EEB/ESC/IEC/EPC:BGGRIFFIN

E.O. 12958: DECL: 11/05/2017
TAGS: [EPET](#) [ENRG](#) [PREL](#) [PGOV](#) [GG](#)
SUBJECT: RESOURCE NATIONALISM IN GEORGIA

REF: STATE 150999

Classified By: Ambassador John F. Tefft, reason 1.4(b) and (d).

(C) Georgia has very small proven reserves of oil and gas. It has negotiated PSA's with two American companies, Canargo and Frontera, to develop particular geographical areas. Development rights to other blocks of the country have recently been auctioned, mainly to foreign investors, who are beginning to re-analyze Soviet era studies of their potential and do studies of their own. "Resource nationalism", as it is defined in refel, does not feature significantly in Georgia's political and economic discourse, nor have any actions been taken to Embassy's knowledge that reflect such an attitude. Canargo has sometimes commented to Emboffs that its PSA does not provide for adequate incentives for further exploration. However, the new Minister of Energy of Georgia, Alexander Khetaguri, recently told Canargo he is willing to change the PSA to make the potential rewards for development greater. No mention has been made of trying to pull back advantages granted under the PSA's. GOG policy has been to withdraw the government from involvement in business and from ownership of all but the most strategic of national assets. "Resource nationalism" would run counter to the overall direction of policy of the government in this regard.
TEFFT